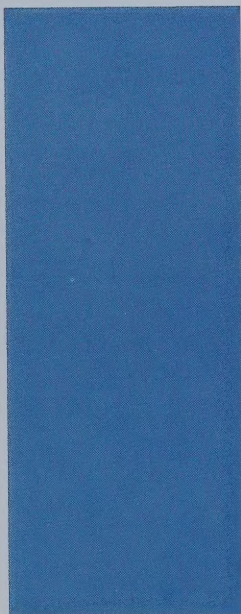
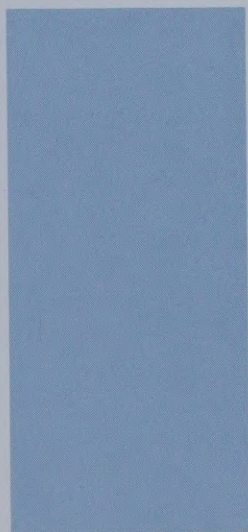


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ANNUAL REPORT 1973



DIRECTORS

Thaddeus L. Charne, Q.C.

Leo W. DerBach

Richey B. Love, Q.C.

Charles Orenstein

Donald A. Ross, C.A.

Jack B. Whitely

OFFICERS

Jack B. Whitely, Chairman of the Board

Donald A. Ross, President

Richey B. Love, Vice-President

Leo W. DerBach, Vice-President and
General Manager

Anthony G. Ducie, Secretary-Treasurer



FARMERS & MERCHANTS TRUST CO. LTD.
and Subsidiary Companies

EXECUTIVE MANAGEMENT

Donald A. Ross, C.A., President
Leo W. DerBach, Vice-President and General Manager
Anthony G. Ducie, Secretary-Treasurer
Orest J. Dizep, Mortgage Administrator
William E. Tanner, Real Property Development
Larry R. Lunn, Portfolio Management
Theo A. Koster, Computer Services
C. Robert Sharp, Corporate Services

INVESTMENT COMMITTEE

Jack B. Whitely
Donald A. Ross
Leo W. DerBach
Richey B. Love
Larry R. Lunn

MORTGAGE COMMITTEE

Jack B. Whitely
Donald A. Ross
Leo W. DerBach
Richey B. Love
Orest J. Dizep

BRANCH MANAGEMENT

ALBERTA

L. L. Davidson, Lethbridge
W. D. Floen, A.A.C.I., Calgary
B. Hansum, Calgary Macleod Plaza
W. Miller, Edmonton
B. B. Stone, Medicine Hat
E. J. Timmermann, Grande Prairie
J. R. Unsworth, Red Deer

BRITISH COLUMBIA

L. E. Burton, Victoria
W. C. Drummond, Kamloops
A. L. Flemmer, Vancouver

ONTARIO

P. Hurtubise, Toronto

QUEBEC

F. D. Saragea, Montreal



PRESIDENT'S REPORT TO THE SHAREHOLDERS

During 1973, despite difficult monetary conditions, Farmers & Merchants enjoyed the most successful year in its history.

Customer deposits increased by 50% , and the company's asset mix was greatly improved by a net placement of \$38,000,000 in mortgages, an increase of 88% over 1972.

While earnings before extraordinary items increased from \$729,000 to \$811,000 earnings per share declined due to the impact of the 50% rights offering in late 1972.

Your directors have increased the dividends on common shares from Three Cents quarterly paid in the last two quarters in 1972, to Four Cents for each quarter in 1973; and propose to continue a policy of increasing dividends as profits improve.

In the past year, your company has taken a number of steps to ensure continued growth and increased profitability in future years. Branch expansion has continued with the establishment of a full branch facility in Kamloops, British Columbia, a second full-line branch in Calgary, Alberta and the establishment of a mortgage office in Toronto, Ontario.

A particularly significant decision was made to enter the development business through the acquisition of a 90% interest in Commerce

Capital Properties Limited, a company currently constructing shopping centres in Kenora, Ontario and Estevan, Saskatchewan, and with a number of additional sites in various stages of development. I believe that in future years, this subsidiary will add materially to the profitability of your company.

Although world economic conditions remain uncertain, the prospects for the 1974 year appear excellent for Farmers & Merchants in terms of both growth and earnings.

We enter the year with an excellent asset balance, a good carry forward position of mortgage commitments and a greatly strengthened market position.

I cannot over-emphasize the contribution of all your employees in the past and ongoing progress of this company, whose loyalty and dedication have been the cornerstone of Farmers & Merchants' success.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read 'D.A. Ross', followed by a horizontal line.

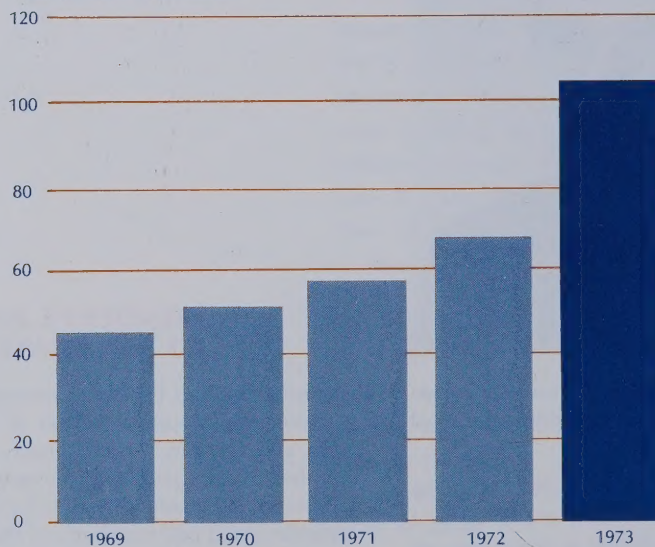
Donald A. Ross, C.A.
President



FARMERS & MERCHANTS TRUST CO. LTD.
and Subsidiary Companies

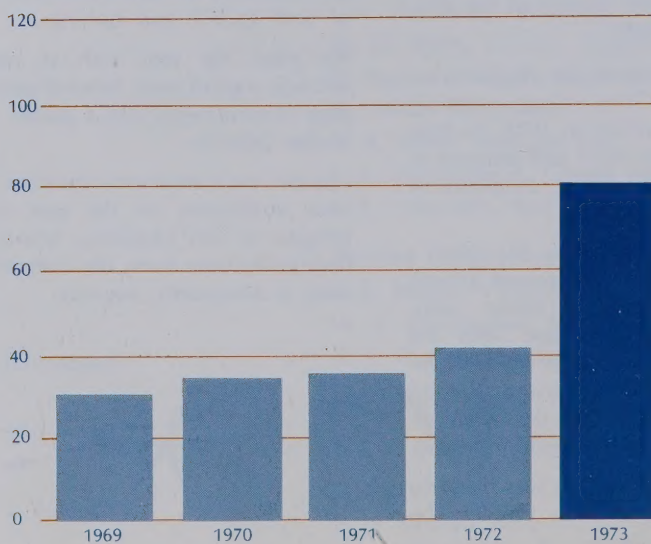
DEPOSITS

MILLIONS OF DOLLARS



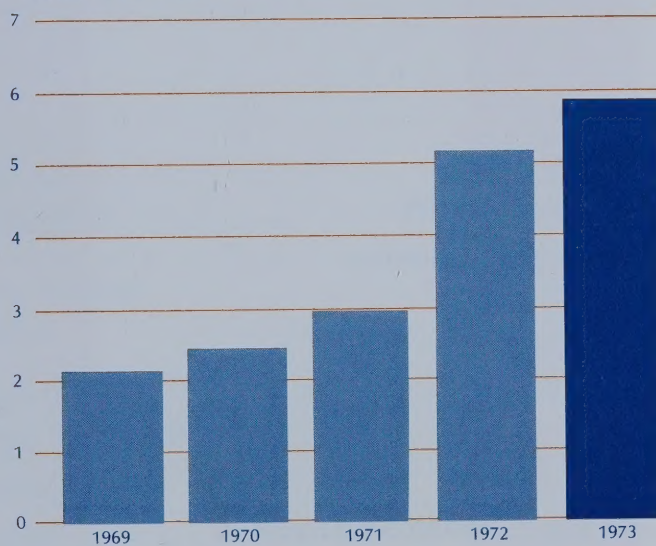
MORTGAGES

MILLIONS OF DOLLARS



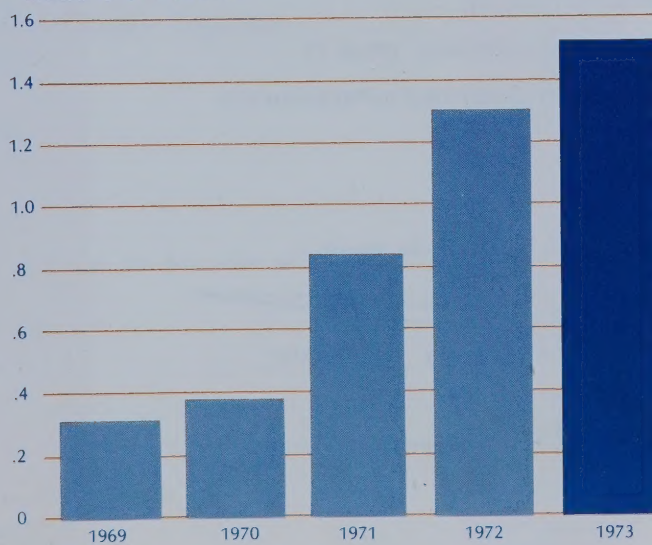
SHAREHOLDERS' EQUITY

MILLIONS OF DOLLARS



EARNINGS BEFORE TAX

MILLIONS OF DOLLARS





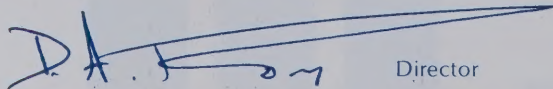
FARMERS & MERCHANTS TRUST CO. LTD.
and Subsidiary Companies


**CONSOLIDATED
CAPITAL AND GUARANTEES
AS AT**

ASSETS

	1973	1972
CASH AND BANK DEPOSIT RECEIPTS	\$ 1,528,252	\$ 6,130,062
INVESTMENT IN MARKETABLE SECURITIES, at cost (Note 2)		
Government bonds	20,557,242	18,015,730
Municipal bonds	25,113	703,484
Corporate bonds	5,427,728	5,376,210
Stocks	2,615,001	1,953,010
	<u>28,625,084</u>	<u>26,048,434</u>
MORTGAGES, AGREEMENTS AND SECURED LOANS	80,795,108	42,957,941
ACCOUNTS RECEIVABLE AND PREPAID EXPENSES	926,779	832,198
PROPERTIES HELD FOR SALE (Note 3)	422,324	345,300
RENTAL PROPERTIES (Note 4)	947,770	1,126,780
PROPERTIES UNDER DEVELOPMENT (Note 1)	2,759,579	—
LAND, BUILDINGS AND LEASEHOLD IMPROVEMENTS (Note 5)	1,024,599	474,570

Approved on behalf of the Board:

 Director

 Director

\$117,029,495

\$77,915,285

**ED BALANCE SHEET
ANTEED TRUST ACCOUNTS
EMBER 31, 1973**

LIABILITIES

	<u>1973</u>	<u>1972</u>
GUARANTEED TRUST ACCOUNTS		
Savings deposits	\$ 13,019,934	\$10,720,271
Guaranteed investment certificates	92,740,123	59,122,592
	<u>105,760,057</u>	<u>69,842,863</u>
BANK INDEBTEDNESS, secured (Note 10)	<u>1,189,785</u>	<u>—</u>
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES		
Brokers	390,324	213,249
Trade and other	855,650	203,521
INCOME TAXES PAYABLE	510,007	394,155
MORTGAGES	280,735	165,395
DEFERRED INCOME (Note 6)	1,546,215	1,604,757
DEFERRED INCOME TAXES	258,718	96,027
MINORITY INTEREST IN SUBSIDIARY COMPANY	101,000	—
MORTGAGE ALLOWANCE	<u>200,000</u>	<u>150,000</u>
	<u>4,142,649</u>	<u>2,827,104</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK		
Authorized		
2,000,000 common shares at the par value of \$1 each		
Issued		
1,296,478 common shares	1,296,478	1,296,478
CONTRIBUTED SURPLUS	1,928,093	1,928,093
GENERAL RESERVE	2,500,000	1,750,000
RETAINED EARNINGS	<u>212,433</u>	<u>270,747</u>
	<u>5,937,004</u>	<u>5,245,318</u>
	<u>\$117,029,495</u>	<u>\$77,915,285</u>



FARMERS & MERCHANTS TRUST CO. LTD.
and Subsidiary Companies

CONSOLIDATED STATEMENT OF EARNINGS FOR THE YEAR ENDED DECEMBER 31, 1973

	1973	1972
GROSS REVENUE	\$9,898,531	\$7,273,512
EXPENSES		
Interest on deposits and borrowings	6,167,667	4,511,039
Personnel	1,156,492	796,868
Premises	337,860	259,107
Mortgage provision	50,000	—
Other	655,164	409,672
	<u>8,367,183</u>	<u>5,976,686</u>
Earnings before income taxes and extraordinary items	<u>1,531,348</u>	<u>1,296,826</u>
INCOME TAXES (Note 7)		
Current	557,102	471,619
Deferred	162,691	96,027
	<u>719,793</u>	<u>567,646</u>
Earnings before extraordinary items	<u>811,555</u>	<u>729,180</u>
EXTRAORDINARY ITEMS		
Recovery of income taxes (Note 7)	87,567	157,883
Gain on sale of Nassau Branch operations net of applicable income taxes	—	98,973
NET EARNINGS	<u>\$ 899,122</u>	<u>\$ 986,036</u>
EARNINGS PER COMMON SHARE, based on weighted average number of shares outstanding		
Before extraordinary items	<u>\$0.63</u>	<u>\$0.75</u>
Net earnings	<u>\$0.69</u>	<u>\$1.02</u>

CONSOLIDATED STATEMENT OF RETAINED EARNINGS FOR THE YEAR ENDED DECEMBER 31, 1973

	1973	1972
BALANCE AT BEGINNING OF YEAR	\$ 270,747	\$ 124,815
Net earnings	899,122	986,036
	<u>1,169,869</u>	<u>1,110,851</u>
Transferred to general reserve	750,000	750,000
Dividends - preference shares	—	12,316
- common shares	207,436	77,788
	<u>957,436</u>	<u>840,104</u>
BALANCE AT END OF YEAR	<u>\$ 212,433</u>	<u>\$ 270,747</u>

**CONSOLIDATED STATEMENT OF GENERAL RESERVE
FOR THE YEAR ENDED DECEMBER 31, 1973**

	1973	1972
BALANCE AT BEGINNING OF YEAR	\$1,750,000	\$1,000,000
Transfer from retained earnings	750,000	750,000
BALANCE AT END OF YEAR	<u>\$2,500,000</u>	<u>\$1,750,000</u>

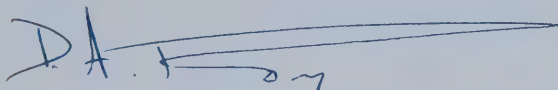
**CONSOLIDATED STATEMENT OF CONTRIBUTED
SURPLUS FOR THE YEAR ENDED
DECEMBER 31, 1973**

	1973	1972
BALANCE AT BEGINNING OF YEAR	\$1,928,093	\$ 891,032
Premium on issue of common shares	—	982,431
Proceeds on sale of donated shares	—	54,630
BALANCE AT END OF YEAR	<u>\$1,928,093</u>	<u>\$1,928,093</u>

CERTIFICATE

(Under the Trust Companies Act, 1967, Section 91(3))

We certify that the financial statements of Farmers & Merchants Trust Co. Ltd. and subsidiary companies are to the best of our knowledge and belief correct and show truly and clearly the financial condition of the companies' affairs.



D. A. Ross
President



L. W. DerBach
Vice-President and
General Manager



FARMERS & MERCHANTS TRUST CO. LTD.
and Subsidiary Companies

NOTES TO 1973 CONSOLIDATED FINANCIAL STATEMENTS

Note 1 — Accounting Policies

The consolidated financial statements include the accounts of the Company and the wholly-owned subsidiaries Town & Country Apts. Ltd., Greenwood Properties (1970) Ltd., Famtco Holdings Ltd. and its wholly-owned subsidiary D & B Noteholders Properties Limited, and Commerce Capital Properties Limited in which the Company holds a 90% interest.

In May 1973 the Company purchased 90% of the issued and outstanding common shares of Commerce Capital Properties Limited (formerly St. Maurice Properties Limited) for \$9,000 cash. Commerce Capital Properties Limited is a real estate company in the development stage and accordingly all costs and expenses are capitalized and will be amortized to earnings upon completion of the projects in progress.

Note 2 — Marketable Securities

In 1973 the Company modified its accounting policy with respect to the recording of Government, Municipal and Corporate bonds. In 1972 bonds were recorded at cost whereas in 1973 they are recorded at amortized values. This modification in accounting policy had no material effect on current earnings nor is it anticipated that it will have a material effect on future earnings.

Stocks are recorded in the accounts at cost.

Statutory values, as determined in accordance with the provisions of the Alberta Trust Companies Act, and market values at December 31, 1973 are:

	1973		1972	
	Market Value	Statutory Value	Market Value	Statutory Value
Government Bonds.....	\$18,979,689	\$20,557,242	\$17,725,532	\$18,015,730
Municipal Bonds	24,921	25,113	654,293	703,484
Corporate Bonds	5,247,365	5,459,527	5,402,957	5,414,300
Stocks	2,317,652	2,317,652	1,817,584	1,817,584
	<u>\$26,569,627</u>	<u>\$28,359,534</u>	<u>\$25,600,366</u>	<u>\$25,951,098</u>

Note 3 — Properties Held For Sale

Properties held for sale are recorded at the lower of cost or appraised value. Cost is the mortgage balance receivable at the time of foreclosure plus related expenses of foreclosure and maintenance, less revenues generated by the property.

Note 4 — Rental Properties

Rental properties are stated at cost, less accumulated depreciation of \$108,709 and \$56,292 as at December 31, 1973 and 1972 respectively. Depreciation charged to earnings amounted to \$52,417 and \$56,292 for the years ended December 31, 1973 and 1972 respectively.

Note 5 — Land, Buildings And Leasehold Improvements

Land, buildings and leasehold improvements are stated at cost, less accumulated depreciation and amortization of \$242,584 and \$186,843 as at December 31, 1973 and 1972 respectively. Depreciation and amortization charged to earnings amounted to \$50,539 and \$14,886 for the years ended December 31, 1973 and 1972 respectively.

Note 6 — Deferred Income

The Company issues mortgages at a discount. Such discounts are deferred and taken into income over the term of the mortgage using the sum of the years' digits method.

Note 7 — Income Taxes

Income taxes shown on the consolidated statement of earnings include amounts otherwise payable but assessed in prior years. Such amounts are recorded as extraordinary credits in the consolidated statement of earnings. This policy was developed because of management's reluctance, based on the Company's prior financial results, to record as an asset the future benefits to be obtained through the declaration, for tax purposes, of certain income prior to its inclusion in the statement of earnings.

Note 8 — Long-Term Leases

The aggregate minimum rentals payable under leases, exclusive of taxes, insurance and other occupancy and maintenance charges for the five year period ended December 31, 1978 are approximately \$369,000. Rents paid during 1973 aggregated approximately \$157,700.

Note 9 — Remuneration

The aggregate direct remuneration paid by the companies in 1973 to the directors and senior officers amounted to \$199,659.

Note 10 — Commitments and Contingent Liability

A subsidiary of the Company is committed under two construction contracts to spend \$3.8 million for the completion of two shopping centres under construction.

Interim financing has been arranged with banks under assignment of the proceeds of a mortgage commitment and bank borrowings are disclosed on the balance sheet as bank indebtedness.

A commitment for mortgage financing has been arranged with a major Canadian life insurance company. Funds will be advanced to the subsidiary upon satisfactory completion of the projects.

The subsidiary is also contingently liable as one of the guarantors of the bank indebtedness of a joint venture company in which the subsidiary has a 10% interest.

AUDITORS' REPORT

To the Shareholders

Farmers & Merchants Trust Co. Ltd.

We have examined the consolidated balance sheet of Farmers & Merchants Trust Co. Ltd. and subsidiary companies as at December 31, 1973 and the consolidated statements of earnings, retained earnings, general reserve and contributed surplus for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances, including verification of cash, bank balances and securities of the companies. All our requirements as auditors have been complied with.

After due consideration we have formed an independent opinion of the position of the companies as at December 31, 1973 and we report that in our opinion and according to the best of our information and the explanations given to us these consolidated financial statements present fairly the financial position of the companies as at December 31, 1973 and the results of their operations for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

We report that the financial statements are in agreement with the books of the companies and that all transactions of the Company that have come within our notice have in our opinion been within the powers of the Company.

Calgary, Alberta
February 12, 1974

Riddell Stead & Co.
Chartered Accountants



FARMERS & MERCHANTS TRUST CO. LTD.
and Subsidiary Companies

HEAD OFFICE

209 - 8 Avenue South West
Calgary, Alberta

ALBERTA BRANCHES

Calgary — 209 - 8 Avenue South West
Calgary Macleod Plaza — 180 - 94 Ave. S.E.
Edmonton — 10225 Jasper Avenue
Grande Prairie — 9933 Richmond Avenue
Lethbridge — 309 - 7 Street South
Medicine Hat — 523 - 3 Street South East
Red Deer — 4822 Gaetz Avenue

BRITISH COLUMBIA BRANCHES

Vancouver — 564 Howe Street
Victoria — 731 Fort Street
Kamloops — 157 Victoria Street

ONTARIO BRANCHES

Toronto — 8 King Street East

QUEBEC BRANCHES

Montreal — 1450 St. Catherine Street West

SAVINGS PLANS

Chequing accounts
interest bearing; free chequing privileges
Savings accounts
highest current interest rates
Guaranteed Investment Certificates
term deposits
Deposit-by-mail services

RETIREMENT SAVINGS PLANS

Plan "A"
self-administered
Plan "B"
fixed income; no administration charges
Deferred profit sharing plans

MORTGAGES AND REAL PROPERTIES

Conventional loans
C.M.H.C. loans
M.I.C.C. loans
Correspondent and servicing agent
Mortgage banking

Real estate brokers
Appraisal services
Property management
Real property development

TRUST SERVICES

Estate planning
Administration of estates
Portfolio management
Trustee for pension plans
Stock transfer agent and registrar
Corporate trust services
Agency accounts

Member Canada Deposit Insurance Corporation
Member Quebec Deposit Insurance Board

